



Post-Payment Review Office of the Comptroller General Province of BC

Prepared for: The State of Washington

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Presentation Overview

- The Financial Framework
- Governance Mandate
- Goals and Objectives
- Our Change Agent Role
- PRO's Approach and Process
- Business Process Model
- Performance Measures and Targets

The Financial Framework

OCG Vision

“to be the best Comptroller General's Office in Canada”

- *Policy Improvements*

- Procurement
- Financial

- *Internal Controls*

- Risk-based Internal Audit
- Risk-based Post Payment sampling





Governance Mandate

- Comprehensive risk based compliance review program to improve the efficiency and effectiveness of internal controls.
- Systemic and integrated approach to improving financial and procurement policy compliance and reducing financial loss to government.



Goals and Objectives

○ *Outcomes*

- To provide confidence that government payments are made according to policy
- To reduce risk of financial loss to government.
- To reduce costs of processing payments

○ *Outputs*

- Risk-based review of payments
- Recommendations for systemic change through improvements to policies, systems and training

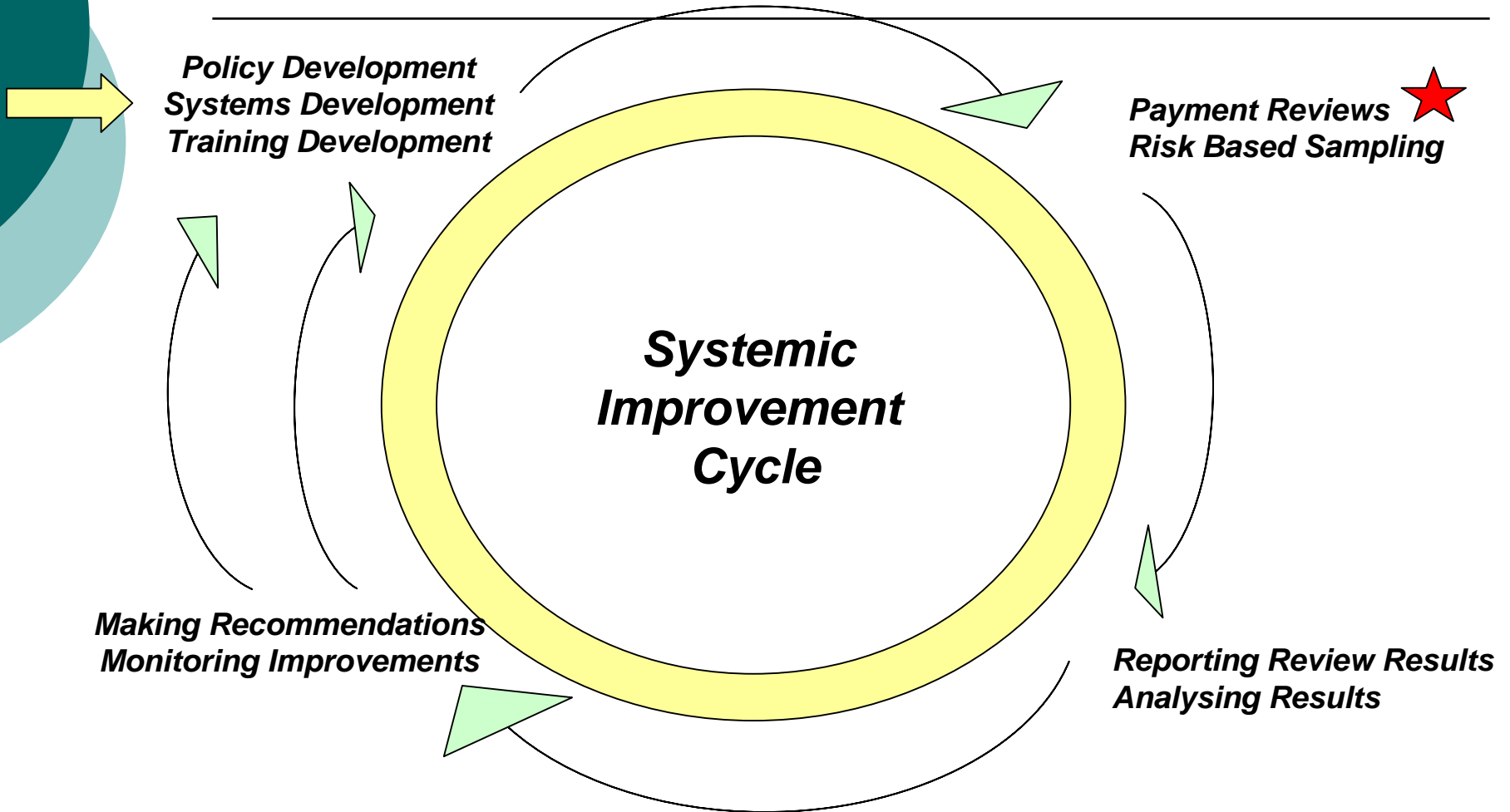


Our Change Agent Role

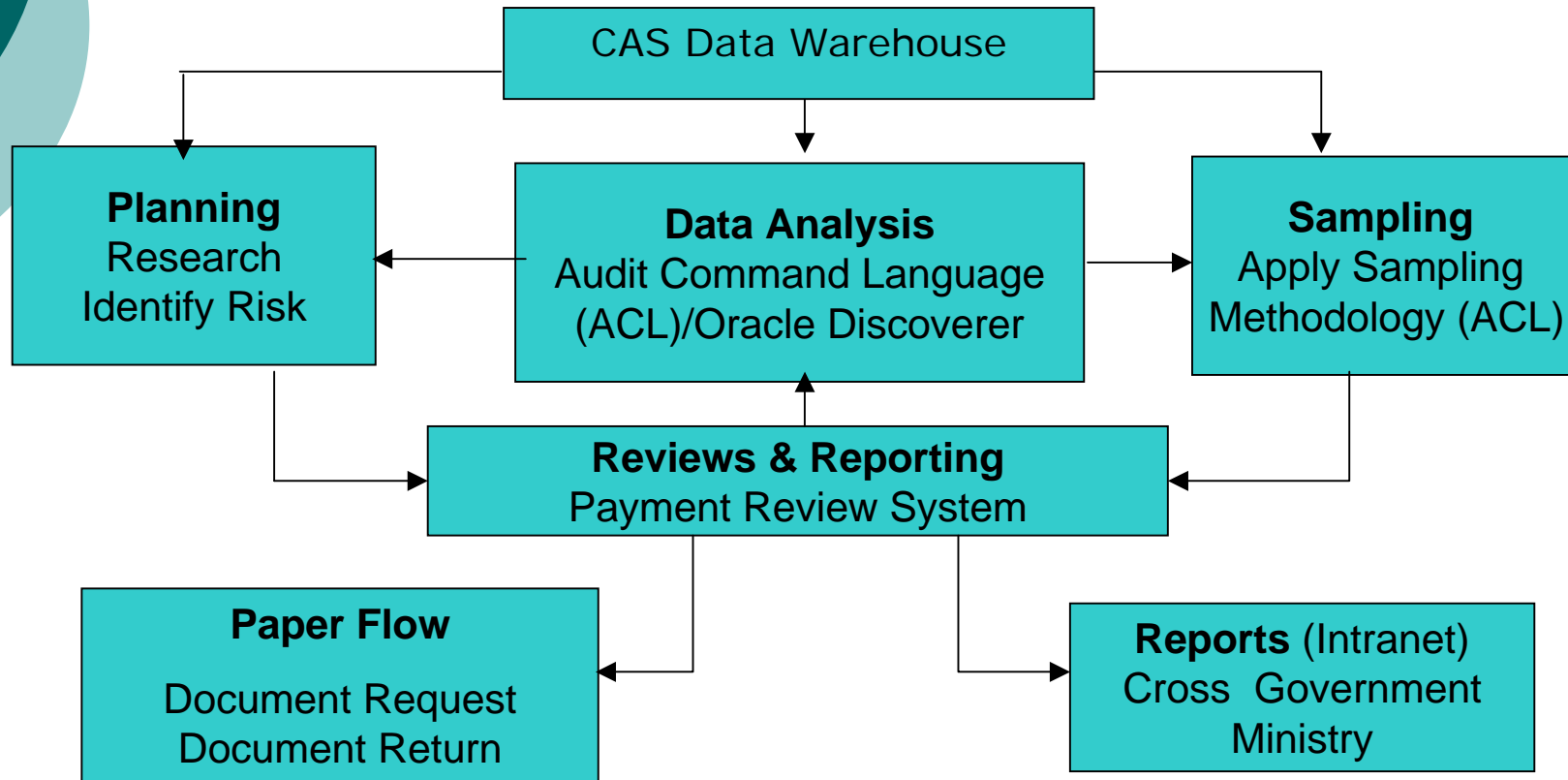
Our Reviews and Analysis give us valid/useable
INFORMATION to use as CATALYST TO IMPROVE

- The financial controls
 - Policy
 - People (behaviours)
 - Processes
 - Systems
- Which improves compliance
- Which reduces risk to government
- Which increases confidence in government

PRO's Approach



Payment Review Process



Payment Review System (PRS)

- *End to End Paperless Process*

- 1. Servers

- CAS Data warehouse (financial data – a/p module)
 - Exchange Server (Request Documents)
 - Web Server (Reports – Email, XML, Pdf)

- 2. Applications

- Visual Basic (Payment Review System (PRS))
 - Oracle (database)
 - ACL – Audit Command Language (sampling)
 - Crystal Reports (reporting)
 - Discoverer (analysis)
 - Excel (analysis)



Business Process Model Overview

- Population – Sample of payments
- Review Routine – Risk-based
- Payment Review – Post payment audit
- Review Reports – Policy & Dollar Errors
 - Identify Policy Errors (including Expense Authority)
 - Identify \$ errors greater than \$20 and request refund
- Analytical Reports – Findings & Recommendations
- Systemic Recommendations - Follow-up

Statistical Sample Plan

- Testing Objectives
 - Compliance with financial and procurement policy
 - Quantify potential dollar loss to government
- Population – Consolidated Revenue Fund Payments
- Sample Type – Integrated Statistical Sample Approach (ISSA) - Dollar and Physical Unit
- Confidence – 99%
- Materiality – 5%
- Sample Frequency – Monthly/Quarterly
- Sample Selection Method – Random



Sampling Methodology

Integrated Statistical Sampling Approach (Externally Approved by Expert UBC Statistician)

- Meets PRO's reporting requirements
- Combines both dollar unit and attribute sampling
- Provides a more varied cross section of payments for review
- Balanced approach to selecting small and large dollar value payments for review

Risk-based Review of Payments

- *What are we Sampling?*
 - Consolidated Revenue Fund (CRF) with some exceptions
- *What is our Population?*
 - iExpense Payments (Travel)
 - Employee Payments
 - Vendor Payments
 - Invoices and Contracts <\$25K
 - Invoices and Contracts >\$25K
 - Ad Hoc Reviews
 - Ministry Specific
 - Research and Planning
- *What Sampling Methodologies do we use?*
 - Integrated Statistical Sampling Approach (ISSA)
 - Judgemental



Items Reviewed and Risk Assessment

Items Reviewed:

- Payments
- Travel Approval and Entitlement
- Travel Expense Details
- Contract

We review for:

- Dollar Loss & Policy compliance
- Completion of documentation
- Appropriate Authorization (EA)
- Segregation of Duties
- Justification of Expense
- Calculation Accuracy
- Timeliness
- Classification of STOB
- Commitment Instrument
- Cost Benefit Justification
- CSA
- Solicitation Method

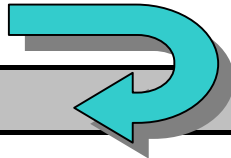
This list is not exhaustive

Policy & Dollar Errors

Dollar Error Collection or Refund

- Possible actions (using ERM)
 - Ignore errors
 - Log errors for trend analysis (not reported)
 - Report errors

- The Dollar Error Matrix



Amount	Action
≤ \$4.99	Ignore Error
\$5.00 to \$9.99	Log error for trend analysis
\$10.00 to \$19.99	Report error
≥ \$20.00	Report error and recommend recovery or refund



Analytical and Recommendations Process

- Review payment documents and record findings
- Summarize, analyze and report findings on the Web
- Request recovery/refund of dollars
- Identify reasons for policy non-compliance
- Recommend improvements to policy, training and systems
- Measure and monitor performance

Performance Measures and Targets

External Measures

- **Estimated Savings**
 - Target to exceed \$1.2M
- **Maximum potential \$ loss**
 - Less than 2% dollar loss
- **Improvements to policy compliance**
 - iExpense Target – 80%
 - Employee Payments Target – 70%
 - Vendor Payments Target – Baseline measure

• Internal Measures

- % Clients Satisfied
- % Recommendations Accepted for Implementation



Contacts/Questions?

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